

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Ken Nickolai  
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Thomas Pugh

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by Great Plains  
Natural Gas Company for Approval of the  
Continuation of its Annual CIP Incentive  
Mechanism, its Proposed Conservation Cost  
Recovery Adjustment and its Proposed 2003  
Demand Side Management Financial Incentive

ISSUE DATE: March 28, 2005

DOCKET NO. G-004/M-04-818

ORDER APPROVING CIP TRACKER  
ACCOUNT, REVISED CCRA FACTOR,  
AND FINANCIAL INCENTIVE

**PROCEDURAL HISTORY**

On June 1, 2004, Great Plains Natural Gas Co., (Great Plains) a division of MDU Resources, Inc., asked the Commission to –

- approve its calculation of adjustments for its Conservation Improvement Program (CIP) tracker and its demand-side management (DSM) financial incentive for the period of January 1, 2003, through December 31, 2003, and
- change Great Plains’ proposed conservation cost recovery adjustment (CCRA).

On July 1, 2004, the Minnesota Department of Commerce (the DOC) recommended that the Commission approve Great Plains’ request with modifications.

This matter came before the Commission on March 10, 2005. At hearing Great Plains raised no objection to the DOC’s recommendations, or to the Commission’s proposal that Great Plains consider the account balance in its DSM incentive sub-account when calculating the finance costs it incurs to provide CIP, as discussed below.

**FINDINGS AND CONCLUSIONS**

**I. Background**

The Legislature directs Minnesota’s energy utilities to invest in energy conservation improvement programs (CIP).<sup>1</sup> These programs may include efforts to manage the public’s demand for energy – dubbed “demand-side management” or DSM – by, for example, subsidizing the price of energy-

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<sup>1</sup> See generally Minn. Stat. § 216B.421.

efficient appliances to discourage the use of low-efficiency ones. Energy utilities must report on the status of their CIP annually.<sup>2</sup>

The Legislature provides for energy utilities to recover CIP costs annually.<sup>3</sup> In addition, the Legislature has authorized the Commission to approve incentives to encourage such programs,<sup>4</sup> and the Commission has done so.<sup>5</sup>

Utilities recover the cost of conservation improvement programs, of financing these programs, and of Commission-approved incentives by adjusting their rates for utility service. Some level of CIP-related cost recovery is incorporated into a utility's base rates through a conservation cost recovery charge (CCRC). In addition, to the extent that a utility's CIP-related costs differ from the amount recovered through the CCRC, the utility can adjust its rates annually through the conservation cost recovery adjustment (CCRA). Utilities keep track of their CIP-related costs by recording the amounts to a "tracker" account. The Commission reviews these accounts before the utilities are authorized to make adjustments to their rates.

## **II. Great Plains' Request**

Great Plains requested that the Commission approve the following:

- its CIP tracker account including recovery of \$321,544 in CIP costs and expenditure of \$2,153 in finance charges;
- recovery of the 2003 financial incentive of \$43,800; and
- a revised CCRA factor.

Each will be discussed in turn.

### **A. The CIP Tracker Account**

Great Plains calculated its CIP Tracker Account balance as follows:

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<sup>2</sup> Minn. Rules pt. 7690.0550.

<sup>3</sup> Minn. Stat. § 216B.16, subd. 6b(c).

<sup>4</sup> Minn. Stat. § 216B.16, subd. 6c.

<sup>5</sup> *In the Matter of Requests to Continue Demand-Side Management Financial Incentives Beyond 1998*, Docket No. G,E-999/CI-98-1759 ORDER APPROVING DEMAND SIDE MANAGEMENT FINANCIAL INCENTIVE PLANS (April 7, 2000) (DSM Incentive Order).

|                                 |                 |
|---------------------------------|-----------------|
| Balance as of December 31, 2002 | \$128,903       |
| 2003 Expenses                   | 164,372         |
| 2003 Finance Charges            | 2,153           |
| 2003 Billing Recovery           | <u>-321,544</u> |
| Balance as of December 31, 2003 | -\$26,114       |

The DOC initially indicated that Great Plains' CIP tracker account balance also reflected the DSM financial incentives that the Commission had previously granted and ordered to be recorded to the account.<sup>6</sup> Based on this understanding, the DOC determined that Great Plains properly calculated its CIP tracker account and recommended approval.

However, Great Plains actually recorded its financial incentives to a sub-account within the tracker account, which had the effect of removing the incentives from the 2003 account balance calculation. Because finance charges are imputed based on the account balance, the failure to consider the incentive payment sub-account in the account balance had the effect of increasing the finance charges imputed to the account for 2003.

Because of the small amount of finance charges involved, the Commission will accept the DOC's recommendation and approve the proposed 2003 CIP tracker account for the current year. Prospectively, however, the Commission will direct Great Plains to include the balance of the incentive payment sub-account for purposes of calculating the CIP tracker account finance charges.

## **B. The Financial Incentive**

Great Plains requested approval of a 2003 DSM financial incentive of \$43,800, which is the maximum for which it could qualify under the Commission's approved formula.<sup>7</sup>

The DOC reviewed Great Plains' request. The DOC concluded that Great Plains had understated its qualified DSM expenditures, but that the error would not alter the amount of financial incentive to which Great Plains was entitled. The DOC recommended approval.

The Commission finds the DOC's analysis and recommendation reasonable, and will approve the financial incentive of \$43,800. Great Plains shall record that amount in its CIP tracker account as of the date of this Order.

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<sup>6</sup> *In the Matter of a Request by Great Plains Natural Gas Company for Approval of the Continuation of its Annual CIP Incentive Mechanism, its Proposed Conservation Cost Recovery Adjustment and its Proposed 2002 Demand Side Management Financial Incentive*, Docket No. G-004/M-03-1009 ORDER APPROVING CIP TRACKER ACCOUNT, REVISED CCRA FACTOR, AND FINANCIAL INCENTIVE; GRANTING VARIANCE; AND REQUIRING COMPLIANCE FILING (January 16, 2004).

<sup>7</sup> For the calculation of DSM financial incentives, see *id.*

### **C. Revised CCRA**

Great Plains forecasted that as of June 30, 2004, the amount of funds recovered from ratepayers for CIP would exceed CIP-related costs by \$59,304. Great Plains forecasted gas sales of 5,302,000 dekatherms (dk). To eliminate the CIP account's balance, Great Plains proposed to reduce its rates by \$59,304/5,302,000 dk, or \$0.0112 per dekatherm. The DOC reviewed Great Plains' proposal and determined that Great Plains properly calculated its CCRA. The DOC recommended approval.

The Commission finds the DOC's analysis and recommendation reasonable, and will approve the revised CCRA of - \$0.0112 per dekatherm for all classes of customers.

### **ORDER**

1. Great Plains' Conservation Improvement Program tracker account is approved, including the recovery of \$321,544 in CIP costs and \$2,153 for financing.
2. Prospectively Great Plains shall include the balance of the demand-side management incentive payment sub-account in the calculation of the CIP tracker account finance charges.
3. Recovery of the 2003 DSM financial incentive of \$43,800 is approved. Great Plains shall record that amount in its CIP Tracker Account as of the date of the Commission's Order in the present docket.
4. A CCRA factor for all customer classes of - \$0.0112 per dekatherm of gas is approved.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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